



MEMO

TO: Commission
FROM: Bill Lindsay and Tracy Johnson
DATE: 6/15/07
RE: Operations Committee Recommendations re: Modeling

The Lewin Group has executed a contract with the Commission and the modeling work is well underway. Lewin has identified two modeling issues that the Commission needs to address. One pertains to financing and the other to communications. The Operations Committee discussed these issues and its recommendations are included in this memo.

Modeling Issues

- **Specifying financing sources**

Lewin has identified some unintended implications of the Commission decision not to require proposers to identify financing sources for their proposals. Although staff explained the original rationale, Lewin has pointed out that this decision presents a tension with the legislative intent of comparing “apples to apples”. That is, lack of comparability will result when Lewin arrays 4 proposals side-by-side and some identify financing and others do not. For those that identify financing, Lewin will be able to provide specific information on implications for businesses, individuals, families, etc. Lewin will be able to comment on how much of the financing relies on redirecting current spending, versus new revenue requirements. For those proposals that do not identify funding, Lewin can identify any revenue required but will not be able to conduct a parallel “winners and losers” analysis. Lewin has asked for direction on this financing question.

Several other options were considered, but rejected, by staff and the committee. The committee considered, for example, allowing proposals to vary on whether and to what extent they provide financing sources. However, the committee was concerned that the resulting modeled proposals would be difficult to compare. The committee also considered requesting that financing be removed from all proposals. But financing is partially implied in certain approaches to health care reform (e.g., an employer or individual mandate). Finally, the committee considered having Lewin model one or more “default” financing approaches. However, the timeline constraints precluded implementing this option by July 15 (when the preliminary report is due).

The committee recommends that Lewin work with proposers to fully specify a financing plan for their proposal. The first round of modeling may be used to identify the financing requirements. Lewin will provide technical assistance to proposers.

Communications with Commissioners

To facilitate communications between Lewin and the Commission, the Evaluation Firm RFP indicated that written summary side-by-side tables should be provided after each modeling iteration of the 3-5 proposals and these tables should include modeling results for coverage and cost. Proposers and the Lewin Group have expressed concerns about this communications strategy. Proposers would like to have the freedom to experiment with different assumptions around proposal design before they finalize their work and it becomes public. Lewin supports the proposers' perspective and is also concerned that summary side-by-side tables may not be meaningful to many Commissioners without the opportunity for interactive discussion.

As an alternative communications strategy, Lewin proposes a weekly conference call to which any Commissioner may join for a modeling update. This call would provide a summary of the major modeling decisions made by proposers (e.g., to implement crowd-out provisions, to rework benefit design) and their rationale. Information provided would be policy-oriented and not quantitative. This would allow Commissioners to track the modeling process and provide them an opportunity to ask questions. Staff believes this interactive format meets the original communication objective, and the opportunity to ask questions may be quite helpful in moving the consolidated proposal discussion forward.